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USDOC FOR 532/OEA/MHAMES/MCANNER
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: [BMGT](#) [BEXP](#) [HK](#) [ETRD](#) [ETTC](#)

SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: SMITH ASSOCIATES
ELECTRONICS LIMITED

REF: A) BIS e-mail request dated May 26, 2009

11. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

12. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post-shipment verification (PSV) at Smith Associates Far East, 7/F, West Wing, Warwick House, Taikoo Place, 979 King's Road, Hong Kong (Smith Associates). The items in question for this PSV are two shipments of semiconductors exported to Smith Associates on or about July 7, 2007 and July 20, 2007. The applicable shippers export declarations (SEDs) for these shipments do not include a classification for the items meaning that they are likely EAR99 and eligible for shipment to virtually all destinations and end-uses/users worldwide. The exporter for both shipments was Rochester Electronics LLC of Newburyport, Massachusetts.

13. According to the Hong Kong Companies Registry, Smith Associates was registered in 1998 and has the Hong Kong equivalent of USD 1300 in paid up share capital. A range of U.S. nationals are listed as directors of Smith Associates.

14. Web based research reveals that Smith & Associates (www.smithweb.com) is a Houston-based worldwide independent electronic components distributor. It has offices in a range of locations including Europe, the United States, Hong Kong as well as several locations in China. Annual sales are in excess of USD 500 million.

15. On June 3, 2009, ECO visited the company and met with Mr. Kellam Kimbrough, Director of Operations, Asia and Ms. Terry Fu, Operations Manager. Mr. Kimbrough provided an overview of Smith in Hong Kong. He noted that while Smith may ship worldwide from its Hong Kong location, the sales force in Hong Kong serves primarily the China and U.S. markets. Mr. Kimbrough noted that the company is not a distributor and does not represent manufacturers but rather acts as a pure sourcing agent for a range of customers. Those customers include OEMs and contract manufacturers as well as other brokers and traders.

16. Mr. Kimbrough stated that Smith reviews its new customers by review of their corporate and financial records. He also stated that Smith also checks all customers against BIS and other denial lists. Mr. Kimbrough stated that, for example, one name of the BIS Entities List, Polar Star, is now operating under a new name. ECO requested (and is still awaiting) details on this statement.

17. As to the particular shipments in question, Mr. Kimbrough and Ms. Fu provided information confirming that the shipments had been received by Smith and had subsequently been sold to Aurumtech Electronics Co., Ltd., 17F-3, No 262, Jing Ping Road, Chung-Ho City, Taipei Hsien, Taiwan. By subsequent e-mail, Mr. Kimbrough stated

that the items were used by Aurumtech to manufacture PC motherboards for a client in Europe. Mr. Kimbrough stated that his salesperson was unable to find a web presence for Aurumtech. ECO also researched the company and could find no Taiwan web presence for the company. However, the company is listed in the Taiwan companies registry and its business activities include electronics manufacturing and reselling.

18. The discussion next turned to the Rochester Electronics End Use Statements purportedly completed by Andy Jang, the Smith and Associates Korea buyer. ECO notes that it appears to be Rochester practice to have its salespersons complete End Use Statements on behalf of customers (based on information provided by those customers). The End Use Statements for these shipments state that the customer in question was Seminanchips Co. Ltd. in Korea and that the end use was the production of a notebook computer. Mr. Kimbrough stated that his sales person (Andy Jang) stated that he did not know how Seminanchips came to be included on the End Use Statement. He provided e-mail correspondence from Aurumtech to Smith detailing the order. ECO has requested additional information about the Polar Star matter (mentioned above) and on the End Use Statements provided by Smith to Rochester (if any exist) and will forward that to OEA on receipt.

19. Based on the information noted above, ECO believes Smith Associates to be a suitable recipient of controlled U.S. origin technology.